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WEEKLY SUMMARY



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SECRET**H I G H L I G H T S**

The swift resumption of the Chinese Communist attack in Central China has clearly belied Nationalist claims of a major victory near Hsuehou and has again made it evident that the total collapse of organized military resistance by the National Government is only a question of time. The pattern of the present all-out Communist campaign is determined by the Communist intention to destroy the effectiveness of the Nationalist military field forces, not merely to capture Nanking. Whether weeks or months are required for the Communist columns to achieve their mission will depend largely upon how long Chiang Kai-shek can retain the loyalty and the will to fight of an effective number of his troops.

France has continued during the past week to be the chief target of the Soviet Union's offensive against the European recovery program and western European defensive planning. Apparently convinced that France is the weakest link in the western front, the Kremlin has seized upon French dissatisfaction with the Ruhr arrangements and has sought to convince the French that US defense plans for western Europe involve the abandonment of France (see page 9). Meanwhile, in an effort to throw the full strength of world-wide Communist labor against the European recovery program, Soviet and Satellite labor unions have been directed to make financial contributions supporting the French coal strikes (see page 10).

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Propaganda Forum Continuing East-West tension has thus far prevented the current session of the UN General Assembly from contributing substantially to a solution of the critical world-wide problems it has had to face. Instead, the GA has been primarily a propaganda forum before which the major powers have sought to influence world opinion. In this propaganda battle, the USSR has had considerable influence on the uncritical, war-weary masses by initiating such catchpenny proposals as reduction of armaments and abolition of the atomic bomb. Although these Soviet resolutions were ultimately defeated, the propaganda value the western powers derived from defeating them was blunted by long weeks of sub-committee deliberations. Moreover, as long as the USSR continues its obstructionist tactics, GA approval of western proposals will constitute mere recommendations and notice to the world that the majority of the nations support the western position in such matters as atomic energy, conventional armaments, Greece, and the Little Assembly. In fact, such major constructive efforts toward international cooperation as the European recovery program and western European union (see page 7) have taken place largely outside the UN. Meanwhile, the critical Berlin dispute remains unsolved and temporarily in abeyance and the UN has had only limited success in preventing actual fighting or eliminating threats to peace in such troubled areas as Palestine, India, Iran, Korea, and Indonesia (see page 15), and Greece (see page 11).

Palestine Clarification of the US and British positions regarding the Palestine dispute, while improving the chances that the GA will take some action toward a final settlement at this session, presents the Assembly with the difficult problem of choosing between the two differing points of view. The UK favors having the GA clearly define the final terms of settlement based on the Bernadotte plan, while the

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US favors recommending a settlement based on both the 1947 partition resolution and the Bernadotte plan, with territorial adjustments left to negotiation between the two parties. The Assembly will probably follow the US lead and leave final determination of boundaries to direct negotiations in the field. Although this solution would free the Assembly of the difficult task of trying to formulate a detailed settlement, it involves two risks: (1) the delay might permit the Israelis to get even more out of hand, thus prolonging the chaos in the Near East; and (2) the Arab states, which have repeatedly expressed reluctance to negotiate with Israel, might balk at bargaining with Israel directly instead of having the general outline of a settlement forced on them by UN action.

Meanwhile, Israeli control of the Negeb appears assured, notwithstanding Israel's acceptance of the Security Council directive to withdraw from the Negeb those troops which had been brought into the area since the beginning of the 14 October Jewish offensive. Although the Israelis have withdrawn from their coastal positions, they have yielded little important ground and have refused to give up the strategic city of Beersheba, which they captured from the Egyptians after 14 October. Moreover, the Egyptian retreat has left the Negeb supply routes in the hands of the Israelis. It now appears that the Israelis, strongly backed by the main army to the north, have sufficient strength in the Negeb to prevent the Egyptians, even with reinforcements, from retaking the area.

Italian Colonies Difficulty of agreement on the complex Italian colonies question and pressure to adjourn on schedule may lead the UN General Assembly to postpone disposition of at least part of the colonies. A partial solution which would return Somaliland to Italy and cede to Ethiopia all of Eritrea except the Moslem western province will meet little opposition in the GA and will probably be

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approved at this session. In the case of Libya, the most important colony, the problem of reconciling widely divergent views will make agreement difficult. The USSR will oppose all proposals except its own, which calls for direct UN trusteeship for all colonies with an advisory council including the USSR, but acceptance of the Soviet proposal is unlikely. The Arab states may support British trusteeship over a united Libya as an alternative to their desire for Libyan independence, but their support will be offset by opposition from the pro-Italian Latin American states. Although the Latin American bloc and most western European states will probably accept British trusteeship for Cyrenaica, they favor return of Tripolitania to Italy. However, there will be great opposition to returning any part of Libya to Italy. Under the circumstances, weary Assembly delegates might agree to grant trusteeship over Cyrenaica to the UK and to postpone action on the rest of Libya pending further study.

India-Pakistan The UN is once again faced with finding a solution to the India-Pakistan dispute, as relations between those countries continue to deteriorate over the Kashmir situation. India has reinforced its troops in Kashmir, increased its air operations, and extended its positions in certain areas. Despite public and private denials by India, Pakistan is convinced that the Indian Army is about to launch a strong offensive. The Government of Pakistan has therefore appealed to the UN and to the UK for preventive action, meanwhile reportedly reinforcing its own positions along the Kashmir border. It is always possible that the increased tension between the two dominions may develop into war; however, winter weather, Pakistani and Indian fear of the disastrous consequences of full-scale war, and continuing UN concern are expected to prevent the outbreak of a major conflict.

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Iran If the expected increase in Soviet pressure on Iran materializes, the Iranian Government may find it expedient to inform the Security Council of the USSR's threatening conduct. (The SC is still seized of Iran's 1946 case against the USSR, although Iran has been reluctant to inform the SC of subsequent developments.) Already Soviet Ambassador Sadchikov, who recently returned to Tehran after an absence of several months, has reportedly declared that Iran must grant the USSR an oil concession and must get rid of the US military missions. The USSR recently assigned a vice-consul to Bandar Shapur, in the strategically important oil and shipping area of southwestern Iran. (Bandar Shapur was chosen by the Iranian Army as the port of entry for military supplies purchased from the US.) Moreover, the current near-collapse of the Iranian Government as a result of the irresponsibility and inactivity of the Majlis provides rich material for pro-Soviet propaganda. The pro-Soviet Tudeh Party has increased its strength and expanded its activity far above the 1947 level. A possible new source of guidance for the Tudeh (as well as for covert activity in general) has appeared with the arrival in Tehran of a new Rumanian Minister with a staff of eight, most of them Moslems; it is alleged that this group is to establish a Cominform headquarters for the Middle East in Iran. In view of these developments, it appears likely that the Kremlin is planning a strong offensive against Iran through both clandestine and diplomatic channels.

Korea The Korean National Assembly has requested UN approval for continued maintenance of US occupation troops in South Korea. Fearful of eventual Communist domination, the South Korean Government has appealed

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UNITED NATIONS

concurrently to the US to postpone withdrawal of the troops and to aid in the establishment of a military mission which would further the training of Korean defense forces. Although the USSR will bitterly oppose the Korean request, the GA will probably phrase its resolution on recognition of a Korean government in such a manner as to permit US troops to remain for the time being.

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SECRET**W E S T E R N E U R O P E**

Atlantic Pact The question of participation in a proposed Atlantic pact by outside countries is assuming major significance as the five Brussels Pact powers draft a proposed agreement for discussion with the US and Canada. Inclusion in the proposed pact of such countries as Portugal, Italy, Iceland, Denmark, Norway, and Ireland raises two questions: (1) whether these countries will enter into any pact and the conditions they are likely to seek; and (2) whether the five Brussels Pact powers themselves wish to expand any alliance at this early date. For example, Norway and Denmark are under strong pressure from Sweden to join a neutral Scandinavian bloc and they will probably seek concrete assurances of US aid before committing themselves. Ireland has stated that it will insist upon a favorable settlement of the partition problem as a condition to its entry. Portugal may seek to have Spain included in the pact. In Italy, there is some division of opinion even in the majority Christian Democratic Party over the advisability of Italian alignment with the west, although De Gasperi and Sforza are trying to direct the Italian public in this direction.

Some western union powers, moreover, may feel that the new Atlantic grouping should first be confined to the US, Canada, and the five Brussels powers before making any broader commitments. These powers may believe that early inclusion of countries with limited military potential would spread available US aid too thinly, dilute their own military strength, and extend their commitments beyond their present capabilities.

GERMANY

Economic Difficulties The western German economy may be seriously dislocated as a result of shortages in bread and reduced industrial production which are expected to develop during the next six months. Unless

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western German farmers step up their grain deliveries, bread will be in short supply in the spring and summer of 1949. Price increases of 25% on wheat and rye failed to insure good delivery and farmers have staged an extensive "sit-down" strike in protest against the increasing disparity between agricultural production costs and the market price of their products. Meanwhile, industrial production in western Germany, already sharply curtailed by power plant failures, may be further reduced by a continuing shortage of electric power. Industrial production during October was less than in September, thus reversing the 1948 trend of monthly increases in production. In an attempt to increase the supply of maintenance and replacement parts for electric power machinery, the British Military Government has halted the dismantling of the electro-steel production facilities of various steel plants and the American Military Government is considering restricting the use of electricity for non-essential purposes. German officials, however, maintain that much more special equipment used in producing electro-steel will be necessary to break the bottleneck in power production. Stringent allocation of electricity to consumers throughout western Germany, therefore, can probably be avoided during the coming winter only if German authorities effect immediate economies in the use of electric power.

ITALY

Political Disagreements A split in the Christian Democratic Party or even a change in the premiership of Italy may eventually result from demands for drastic social reforms and a shift in Italian foreign policy from its present pro-western orientation to absolute neutrality.

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These demands are being pressed by a minority left-wing group of the Christian Democratic Party under the leadership of Giovanni Gronchi. Although Premier De Gasperi still has the support of the majority in his party for his moderate reform program and pro-western foreign policy, Gronchi's exploitation of widespread popular desire for social reforms and strict neutrality may increase pressure on De Gasperi from other left-wing groups. The moderate Socialists in the Government, for example, in order to keep their worker-following, may feel it necessary to insist upon sweeping domestic reforms and may be forced into a position of criticism of the Government.

FRANCE

Soviet Pressure The Soviet Union continues to exploit French defeatism and fears of a resurgent Germany. Apparently convinced that France is the weakest link in western European defensive planning, the USSR has: (1) chosen France as the place to concentrate Communist attacks upon the European recovery program; (2) stepped up its propaganda campaign against western plans for Germany and the Ruhr; (3) implied that the Spanish Pyrenees, rather than the Rhine, would be the US "frontier" in Europe; and (4) indirectly proposed, on a governmental level, that France renounce the western bloc in order to insure world peace and French security. At a time when France's internal problems portend the fall of the Queuille Government and the rise of De Gaulle, the Kremlin can be expected to continue its cynical exploitation of French fears and prejudices which has already caused many Frenchmen of varying political convictions to consider critically the implications of France's alignment with the west.

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SECRET**E A S T E R N E U R O P E**

Communist Labor Soviet determination to throw the full, world-wide resources of Communist labor against the European recovery program is manifested by Soviet support of the striking French coal miners. The Communist-controlled Secretariat of the World Federation of Trade Unions (WFTU) has called for "tangible demonstrations" in support of the French miners. Simultaneously, the Soviet, Polish, Czechoslovak, Yugoslav, and Rumanian labor movements have contributed 90,000,000 francs (about \$288,000). This unprecedented public aid, which actually is insignificant in comparison to the total clandestine Soviet support of the French strike, clearly demonstrates the all-inclusiveness of the Soviet effort to sabotage the European recovery program. The WFTU appeal, directed primarily to western labor, may draw minor contributions from left-wing labor groups in Italy, the UK, and the US. However, the appeal will be flatly rejected by British and US national labor organizations which support the European recovery program and will hasten their formal withdrawal from WFTU.

Jewish Emigration The recent departure from Bulgaria of 3,500 Jews bound for Israel suggests that the USSR may now be stepping up its long-range program to evacuate as many of the 700,000 Jews from eastern Europe as possible. Anti-Semitism not only is still strong in eastern Europe but has actually increased since the war, because a number of Jews are holding cabinet posts in the unpopular Communist governments of the Satellites. Moreover, the Kremlin probably considers that eastern European Jews are a politically unreliable group and would better serve Soviet aims if they were removed to Israel. In addition, Soviet sponsorship of such a mass emigration movement would

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enable the USSR: (1) to infiltrate a considerable number of Communist agents into Palestine; and (2) to reap much favorable publicity among pro-Zionist groups outside the Iron Curtain.

GREECE

New Government The new Greek Government which was sworn in on 18 November will probably not survive long. Prime Minister Sophoulis, whose reshuffled government survived an immediate vote of confidence by a slim margin of two, obtained a parliamentary recess until 1 February 1949 which will permit the government to act freely without risking another test of strength. Nevertheless, the government lacks the confidence of the people, who feel that it differs little from its predecessor and can offer nothing new in the way of concrete plans or inspiration in the struggle against the guerrillas. Consequently, there is more than an even chance that some combination of parliamentary opposition and public opinion will force the government out of office even before 1 February. What sort of government would then emerge is problematic. Likely possibilities are another reshuffle, which would satisfy no one, or a regime led by a popular military figure, backed by the Palace, which might briefly rally the country. Unless Greece's basic problems are quickly and effectively attacked, however, a war-weary people and a dangerously disillusioned army might force on the politicians far more drastic changes than temporary parliamentary adjustments.

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SECRET**NEAR EAST - AFRICA****BRITISH-ARAB RELATIONS**

The long-standing plans of the UK for strengthening ties with the Arab states may be materially aided by current trends of thought among the leaders of Egypt and Iraq. Although anti-imperialist, nationalist sentiment continues strong in both countries, Arab weakness as disclosed by the Palestine war has led political leaders to consider once again the desirability of having a strong western friend.

Egypt The Palestine debacle has forced Egyptian leaders to think over the possibility of resuming the Anglo-Egyptian treaty negotiations which broke down last year. King Farouk reportedly favors the resumption of discussions, and ex-Prime Minister Sidky Pasha has declared that a treaty with the UK is essential to Egyptian interests. Egyptian nationalists, however, are strongly opposed to British conditions for a satisfactory arrangement: namely, retention of British troops and maintenance of British operational bases in Egypt's vital Nile Delta-Suez Canal area. Thus it will be difficult for the Egyptian politicians who have encouraged and capitalized on anti-foreign feeling to admit publicly the necessity of negotiating with the British. Prime Minister Nokrashy Pasha, who has been uncompromising in past Anglo-Egyptian negotiations, would probably have to be supplanted before serious negotiations could begin. At present, Sidky appears to be the most likely candidate for Nokrashy's post.

Iraq Iraqi leaders are apparently beginning to discover that the substitution of a policy of nationalism for their former role as the "victim of British imperialism" gives little promise of solving their current political and economic difficulties. Nationalism in Iraq reached its peak in January 1948,

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BRITISH-ARAB RELATIONS

when anti-British demonstrations inspired by the Independence Party resulted in the rejection of the Iraqi-British Portsmouth Treaty and the fall of the Jabr Government, which sponsored the treaty. Since then, military disillusionments in Palestine and the steadily deteriorating economic situation have caused some officials to entertain serious doubts regarding the wisdom of their present course. Former Prime Minister Jabr, who fled the country last winter in fear of his life, has returned without occasioning any disturbances, and several other leaders who fell from grace because of their pro-British leanings have returned to public life. Moreover, the present Prime Minister recently received a vote of confidence following a speech in which he urged greater Anglo-Iraqi collaboration and defended the Portsmouth Treaty. Although the basic inclination of many Iraqi leaders is probably against the strengthening of ties with the west, they realize that the exigencies of their present situation may make such steps necessary.

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F A R E A S T

CHINA

Military Situation The Communists have stepped up their Central China drive, only a few days after the Nationalists claimed they had broken the back of the Communist attack with a "major victory" along the Grand Canal east of Hsuehou. The Nationalist 7th Army Group and several additional divisions were destroyed in this "major victory," and subsequent Nationalist attempts to re-open the Hsuehou-Nanking railway were halted by the Communists. The main effort in the current Communist drive, in which at least 11 columns are participating, is from the southeast and east where the principal Nationalist defense forces are in danger of being encircled and cut off from the garrison in Hsuehou. Nationalists in the Pangiou and the Mengcheng areas are also in danger of being separately encircled. If the encirclement of these Nationalist pockets of resistance is quickly achieved, the Government units involved will probably choose capitulation rather than annihilation and the defense complex north of Nanking will collapse. In North China, Communist troop movements through several great wall passes indicate that a major Communist effort might possibly be undertaken in the area east of Peiping. Fu Tso-yi, Nationalist commander, may stay in the Peiping-Tientsin area for at least one major engagement, prior to being forced to withdraw westward into Suiyuan.

Sinkiang Deadlock The long-standing deadlock in Sinkiang between Chinese officials and pro-Soviet ill dissidents may be resolved by an understanding between Soviet representatives and Chang Chih-chung, top Chinese official for northwest China. Developments during the past six weeks indicate a more conciliatory attitude on both sides,

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CHINA

and suggest that a comprehensive settlement may be reached in the future. In view of the imminent collapse of the National Government, and of Chiang Kai-shek's rejection of Chang Chih-chung's suggestion for negotiations with the Communists, the latter may attempt to carve out a domain for himself in China's northwest. The USSR might undertake to reconcile the differences between the Ili group and Chang Chih-chung in exchange for Chinese acceptance of Soviet terms for renewal of the Sino-Soviet airline, and other economic concessions in Sinkiang. This would assure the USSR a more friendly neighbor in Sinkiang and facilitate eventual consolidation of Soviet control over the entire province.

Formosan Revolt A revolt for Taiwan's independence from China may be staged when Nanking falls. The Formosan League has rejected both Chinese Nationalist and Communist bids for cooperation and has sought potential US aid by stressing the League's non-Communist orientation. Although their revolutionary capabilities appear limited, the Taiwanese, fortified by their dislike of the Chinese and by the rapid disintegration of the Chinese National Government, may be able to produce a formidable revolt.

INDONESIA

Dutch Intentions The recent Dutch Cabinet decision to continue negotiations with the Republican Indonesians may presage an all-out Dutch effort to push through a solution to the Indonesian problem. The Cabinet decision was made despite strong opposition from right-wing members and probably does not reflect any basic change in the Dutch policy toward Indonesia. However, the announcement of this decision, together with the dispatch of a Dutch delegation to Indonesia,

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INDONESIA

will enable the Dutch to claim--if they later find it necessary to resort to "police action"--that they have left no stone unturned in their efforts to solve the dispute. The recent reconvention of the Dutch-sponsored Bandoeng Conferences of non-Republican Indonesian Federalists may also be designed, if negotiations with the Republicans fail, to bolster a Dutch claim that the trouble in Indonesia is merely factional and that any subsequent military action is necessary to protect Dutch interests. Nevertheless, indications by the Dutch and Indonesians of a desire for an early settlement have for the first time in several months increased the prospects for such a settlement.

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W E S T E R N H E M I S P H E R E

ARGENTINA

Soviet Propaganda Soviet propaganda is now casting Argentina in a new role, as imperialistic collaborator with the US. This is in marked contrast to earlier propaganda, which had persistently exaggerated and emphasized US-Argentine friction. The USSR may have been prompted to portray Argentina as a junior partner of US "imperialism" by: (1) recently concluded arrangements for the US to send a military mission to Argentina; (2) US Ambassador Bruce's recent description of Argentina as "a vital bulwark in defense of the hemisphere"; and (3) reports in Europe that the US is pressuring "doubtful" states to align themselves more closely with the western bloc. These Soviet allegations, if continued, may cause Argentina to retaliate by reducing or eliminating its already limited co-operation with the USSR and at the same time may provide new impetus to Peron's anti-Communist campaign.

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